CISI REGULATORY PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

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How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

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Questions

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1. Which directive is NOT part of the FSAP directives?

A. Market Abuse Directive

B. Investment Strategy Directive

C. Prospectus Directive

D. Money Laundering Directive

2. What kind of organization is the Joint Money Laundering Steering Group?

A. Governmental body

B. Trade body

C. Non-profit organization

D. Financial institution

3. Which act provides enhanced powers for financial monitoring in relation to potential terrorist activity?

A. Bribery Act 2010

B. Terrorism Act 2000

C. Counter-Terrorism Act 2008

D. Proceeds of Crime Act

4. Which of the following is necessary for a firm to use third-party research?

A. The firm must pay directly with client funds

B. The firm must fund a research payment account

C. The firm must obtain approval from the FCA

D. The firm must disclose all strategic goals to clients

5. How soon must a shareholder with more than 1% holding disclose sales of more than 3% of their holding?

A. Within 1 business day

B. Within 2 business days

C. Within 5 business days

D. Within a week

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6. What is the role of a nominated officer under the Money Laundering Regulations (MLR)?

A. To oversee company financial policies

B. To manage customer complaints

C. To report suspicious activities within a firm

D. To conduct employee training

7. What is the required acceptance rate for a Scheme of Arrangement to be valid?

A. 50% by number and 50% by value

B. Majority by number and 75% by value

C. 100% by number

D. Majority by value and 50% by number

8. What is one of the responsibilities of the Takeover Panel?

A. Reducing corporate taxes

B. Ensuring equal voting rights for all shareholders

C. Drafting and maintaining the City Code

D. Investigating fraudulent activity in mergers

9. What is the main goal of the PRA's general objective?

A. Encourage aggressive market competition

B. Promote safety and soundness of PRA-authorised firms

C. Maximize profits for financial institutions

D. Minimize customer fees in banking

10. What is the role of the CMA regarding anti-competitive practices?

A. Encourage competition among firms

B. Investigate and block if necessary

C. Guide firms on best practices

D. Rate company performances

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Answers

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1. B
2. B
3. C
4. B
5. B
6. C
7. B
8. C
9. B
10. B

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Explanations

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1. Which directive is NOT part of the FSAP directives?

A. Market Abuse Directive

B. Investment Strategy Directive

C. Prospectus Directive

D. Money Laundering Directive

The Investment Strategy Directive is not part of the Financial Services Action Plan (FSAP) directives. The FSAP was a comprehensive set of European Union legislative measures aimed at creating a single market for financial services. It included a variety of directives that addressed different aspects of the financial sector. The Market Abuse Directive, Prospectus Directive, and Money Laundering Directive are all integral components of the FSAP. The Market Abuse Directive aims to prevent market manipulation and insider trading within the EU. The Prospectus Directive regulates the requirements and information that must be included in prospectuses when securities are offered to the public. The Money Laundering Directive seeks to establish a framework for preventing money laundering and terrorist financing across member states. In contrast, the Investment Strategy Directive does not exist as a recognized directive under the FSAP, making it the correct choice as the directive that does not belong to this group.

2. What kind of organization is the Joint Money Laundering Steering Group?

A. Governmental body

B. Trade body

C. Non-profit organization

D. Financial institution

The Joint Money Laundering Steering Group (JMLSG) is recognized as a trade body that provides guidance and best practices for the financial services sector regarding compliance with anti-money laundering (AML) regulations in the UK. As a trade body, the JMLSG consists of representatives from a variety of sectors within the financial industry and seeks to enhance the effectiveness of AML practices among its members. It develops and publishes guidance that assists firms in meeting their obligations under UK law, thus enabling them to better manage the risks associated with money laundering and terrorist financing. The nature of a trade body is to represent the interests of its members, offering a platform for collaboration, sharing of information, and promoting the industry's standards. This is distinctive from a governmental body, which would involve state functions and regulation, or a non-profit organization, which may focus more broadly on social causes and issues without specifically promoting trade interests. Financial institutions, on the other hand, are the entities that comply with the regulations and guidelines set forth by bodies like the JMLSG. Therefore, identifying the JMLSG as a trade body aligns with its role in fostering best practices in the sector while influencing policy and regulation within the financial industry regarding money laundering controls.

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3. Which act provides enhanced powers for financial monitoring in relation to potential terrorist activity?

A. Bribery Act 2010

B. Terrorism Act 2000

C. Counter-Terrorism Act 2008

D. Proceeds of Crime Act

The correct choice highlights the Counter-Terrorism Act 2008, which significantly enhances the government's ability to monitor financial activities related to terrorism. This legislation was introduced to strengthen the UK's legal framework for combating terrorist financing, enabling authorities to better detect and disrupt financial transactions that could fund or facilitate terrorism. Key provisions include the extension of powers to seize financial assets and the ability to impose stricter reporting obligations on financial institutions, thereby enhancing their role in the early identification of suspicious transactions. The act also emphasizes the importance of intelligence sharing among various agencies to effectively monitor and prevent terrorist financing activities. While the other acts mentioned focus on different aspects of criminal law and financial crime, they do not specifically address the frameworks for monitoring and managing risks related to terrorism as directly as the Counter-Terrorism Act 2008 does. Therefore, its targeted approach towards terrorism-related financing is what makes it the relevant legislation for this context.

4. Which of the following is necessary for a firm to use third-party research?

A. The firm must pay directly with client funds

B. The firm must fund a research payment account

C. The firm must obtain approval from the FCA

D. The firm must disclose all strategic goals to clients

The necessity for a firm to fund a research payment account is rooted in regulatory requirements designed to enhance transparency and protect the integrity of the research process. By funding a research payment account, a firm ensures that it can compensate third-party research providers without entangling these payments with execution costs or other service fees related to client transactions. This separation promotes ethical practices in investment research and aligns with regulatory frameworks that seek to prevent conflicts of interest. When firms establish a research payment account, they demonstrate a commitment to fair treatment of research providers and maintain a clear line of funding for research services. This is particularly important under the MiFID II regulations, which emphasize the need for clear disclosures and adherence to best execution standards. This requirement supports firms in providing clients with high-quality research while ensuring that clients are only charged for services they benefit from directly.

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5. How soon must a shareholder with more than 1% holding disclose sales of more than 3% of their holding?

A. Within 1 business day

B. Within 2 business days

C. Within 5 business days

D. Within a week

A shareholder with more than 1% holding must disclose any sales of more than 3% of their holding within two business days. This requirement is in place to promote transparency in the markets and ensures that other investors are informed about significant changes in ownership that could potentially affect share price and market perception. The two-day timeframe is established to allow market participants to react to the trading activities of significant shareholders, thereby maintaining an equitable trading environment. This disclosure requirement is part of the regulations that govern market behavior, ensuring that all investors have access to relevant information that could influence their investment decisions. Such regulations are vital for maintaining investor confidence and the overall integrity of the financial markets.

6. What is the role of a nominated officer under the Money Laundering Regulations (MLR)?

A. To oversee company financial policies

B. To manage customer complaints

C. To report suspicious activities within a firm

D. To conduct employee training

The role of a nominated officer under the Money Laundering Regulations (MLR) is primarily to report suspicious activities within a firm. This officer takes on a critical responsibility in compliance with anti-money laundering (AML) laws. They are tasked with identifying any transactions or activities that may suggest money laundering or other financial crimes and ensuring that these are reported to the relevant authorities, such as the National Crime Agency (NCA) in the UK. The nominated officer serves as a point of contact within the firm for AML compliance issues and is responsible for overseeing the firm's adherence to legal requirements regarding money laundering. Their function is essential in creating a culture of compliance, where employees are encouraged to report any concerns and where those reports are managed effectively. This safeguard helps protect both the firm and the broader financial system from being exploited for illicit purposes. While aspects such as overseeing financial policies, managing complaints, and conducting employee training are important to the overall operations of a firm, they are not specific to the designated responsibilities of the nominated officer in the context of the Money Laundering Regulations. Thus, their core function remains centered on the identification and reporting of suspicious activities.

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7. What is the required acceptance rate for a Scheme of Arrangement to be valid?

A. 50% by number and 50% by value

B. Majority by number and 75% by value

C. 100% by number

D. Majority by value and 50% by number

The required acceptance rate for a Scheme of Arrangement to be valid is a majority by number and 75% by value of those members present and voting at the meeting. This dual threshold ensures that not only a majority of members support the scheme, but also that those in favor represent a significant share of the total value. This is important as it protects the interests of minority shareholders and gives a clear mandate for the arrangement, ensuring that it reflects both broad support and significant economic backing. In practice, this means that if the scheme is taken to a vote, more than half of the voting members must agree to it (the majority by number), and the total value of shares they represent must be at least 75% of the total value of votes cast. This combination minimizes the risk of coercion and helps maintain fairness in the financial outcomes associated with the scheme.

8. What is one of the responsibilities of the Takeover Panel?

A. Reducing corporate taxes

B. Ensuring equal voting rights for all shareholders

C. Drafting and maintaining the City Code

D. Investigating fraudulent activity in mergers

One of the key responsibilities of the Takeover Panel is to draft and maintain the City Code, which governs the conduct of takeovers and mergers in the UK. The City Code is designed to protect the interests of shareholders and ensure that the takeover process is conducted fairly and transparently. It establishes rules regarding disclosure, timing, and the treatment of stakeholders involved in the takeover process. This helps promote integrity within the financial markets and fosters trust among investors, which is vital for the smooth operation of capital markets. In contrast, the other options do not align with the core functions of the Takeover Panel. Reducing corporate taxes is outside its mandate, as tax policy falls under the jurisdiction of governmental financial authorities. Ensuring equal voting rights for shareholders is more a principle of corporate governance than a specific responsibility of the Takeover Panel. Investigating fraudulent activity in mergers may involve other regulatory bodies or legal authorities, but it is not a primary duty of the Takeover Panel itself. Thus, the primary focus of the Takeover Panel is its role in drafting and overseeing adherence to the City Code.

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9. What is the main goal of the PRA's general objective?

A. Encourage aggressive market competition

B. Promote safety and soundness of PRA-authorised firms

C. Maximize profits for financial institutions

D. Minimize customer fees in banking

The main goal of the Prudential Regulation Authority (PRA) is to promote the safety and soundness of PRA-authorized firms. This objective is crucial because it ensures that financial institutions operate in a manner that maintains stability in the financial system and protects consumers. The PRA focuses on the resilience of banks, insurers, and investment firms to withstand financial stress and prevent failures that could have widespread repercussions on the broader economy. By promoting safety and soundness, the PRA aims to ensure that these institutions are well-capitalized, manage risks effectively, and have robust governance frameworks in place. The other options do not align with the primary objectives of the PRA. Encouraging aggressive market competition, while potentially beneficial in certain contexts, does not directly address the need for systemic stability. Likewise, maximizing profits for financial institutions is not a regulatory goal; instead, focusing on safety and soundness often means prioritizing long-term sustainability over short-term profits. Lastly, minimizing customer fees is an important consideration for consumers, but it is not a core regulatory focus of the PRA, which is primarily concerned with the financial health and operational integrity of firms rather than customer pricing.

10. What is the role of the CMA regarding anti-competitive practices?

A. Encourage competition among firms

B. Investigate and block if necessary

C. Guide firms on best practices

D. Rate company performances

The role of the Competitions and Markets Authority (CMA) regarding anti-competitive practices primarily involves investigating market behavior that may harm competition and consumers. When potential anti-competitive practices are identified—such as cartel behavior, abuse of market dominance, or anti-competitive mergers and acquisitions—the CMA has the authority to conduct in-depth inquiries and evaluations. If necessary, the CMA can block mergers or impose remedies to prevent or address anti-competitive behavior, ensuring that markets work effectively for consumers. The function of investigating and, when deemed necessary, blocking anti-competitive practices is crucial for maintaining a fair competitive environment. This regulatory oversight helps to protect consumer interests and promote a dynamic economy. By being proactive in addressing anti-competitive practices, the CMA fosters a marketplace where competition can flourish, benefiting consumers through better prices and services. The other roles listed, such as encouraging competition, guiding firms, or rating company performances, do not fully capture the enforcement and investigative powers that the CMA exercises in relation to anti-competitive practices. While the CMA may indeed encourage competition and provide guidance on best practices, these functions are secondary to its primary responsibility of investigating and controlling practices that threaten market integrity.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

https://cisiregulatory.examzify.com

We wish you the very best on your exam journey. You've got this!

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